

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
August 13, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of August, 2008

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS
(Translation of Registrant's name into English)

Avenida República do Chile, 65
20031-912 - Rio de Janeiro, RJ
Federative Republic of Brazil
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

PETROBRAS ANNOUNCES RESULTS FOR THE SECOND QUARTER OF 2008

(Rio de Janeiro August 11, 2008) PETRÓLEO BRASILEIRO S.A. Petrobras announced today its consolidated results expressed in millions of Brazilian Reais, in accordance with generally accepted accounting principles in Brazil (BR GAAP).

Consolidated net income in the 2Q-2008 was a record R\$ 8,783 million, up 29% versus the comparable period for 2007.

The result was due primarily to increases in the sales prices for oil and oil products, as well as increasing production of oil and gas in Brazil. Crude oil prices in particular increased substantially during the period, with Brent averaging US\$ 121 per barrel in the 2Q-2008 versus US\$ 69 in the 2Q-2007. As a result of rising crude oil prices, refining margins were substantially reduced during the quarter, in Brazil as well as internationally.

In the 1H-2008, consolidated net income increase by 44% year-on-year, as a result of the upturn in average oil and oil product sale prices, higher sales volume and the non-recurring pension plan expenses in 2007.

Operating cash flow (EBITDA) increased by 27% over the 2Q-2007 and by 31% over the previous quarter, generating resources to fund the Company's investment program while reducing debt.

The EBITDA margin of 33% remained flat year-on-year, but widened by 3 p.p. when compared to the prior quarter. Higher prices and volumes for oil and oil products, and increased production, as well as initiatives to reduce operating expenses (which remained stable versus the 2Q-2007 and fell by 3% versus the prior quarter) contributed to the improved margin.

Nevertheless, higher oil prices continue to create generalized cost pressures within the industry, and led to higher production taxes, which jumped 74% year-on-year and 27% quarter-over-quarter.

Average oil and gas production increased by 4% year-on-year due to the start-up of FPSO-Cidade do Rio de Janeiro (Espadarte), FPSO-Cidade de Vitória (Golfinho) and the P-52 and P-54 platforms (Roncador). The introduction of these units more than offset the decline in output from existing systems and fields. By the end of the year, 3 major new systems are scheduled for start-up in the Jabuti, Marlim Sul and Marlim Leste fields, adding production capacity of 460,000 barrels/day.

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PETROBRAS SYSTEM

Capital expenditures on a fully consolidated basis totaled R\$ 20,899 million in the 1H-2008, 6% higher than the first half of 2007. The largest share of investment spending was allocated to boosting future oil and gas production capacity in Brazil.

The Added Value within Petrobras was 24% higher than in the 2Q-2007 and 17% more than in the 1Q-2008. The largest percentage increase in the Added Value went to shareholders, with an increase of 30% year-on-year.

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Statement by the CEO, José Sergio Gabrielli de Azevedo

Dear shareholders and investors,

It gives me great satisfaction to announce second-quarter net income of R\$ 8.8 billion, an increase of 29% year-on-year and an all-time quarterly record for the Company. In the year-on-year comparison for the first half of the year, income growth was an even more impressive 44%.

Cash flow measured by EBITDA totaled R\$ 18.1 billion during the second quarter and R\$ 32.0 billion in the first half. Our robust cash flow enabled us to fund our capital expenditures, which totaled R\$ 20.9 billion in the first six months of the year, with internally generated capital.

These excellent results were fueled by the increase in international oil prices, higher oil and gas production, and the increase in gasoline and diesel prices implemented in Brazil in May.

With demand-side pressure and restrictions on supply, oil prices rose from an average US\$ 70 per barrel in the second quarter of 2007 to US\$ 121 in the second quarter of 2008. If, on the one hand, this meant more revenue for the Company, on the other it generated substantial cost pressure, underlining the need for continual efforts to manage our resources more efficiently.

For our production in Brazil, the operational start-up of the FPSO-Cidade de Vitória, in the Golfinho field, the FPSO-Cidade do Rio de Janeiro, in the Espadarte field, and the P-52 and P-54 platforms, in the Roncador field, not only offset natural declines in output, but also contributed to the 4% increase in total production volume. Growth should become even more vigorous, with the start-up of P-51 (Marlim Sul), P-53 (Marlim Leste) and FPSO-Cidade de Niteroi (Jabuti).

During the second quarter, domestic sales of oil products and natural gas increased by 8% year-on-year, due to more robust economic activity, especially in the agribusiness and tourism sectors, exemplified by the substantial increase in jet fuel and diesel. Natural gas increased by 34% primarily as a result of higher volumes available for sale.

The quarter was also marked by several new discoveries, such as light oil in shallow-water in the southern portion of the Santos Basin where we found oil of 36° API in block BMS-40. Abroad, we discovered oil in the Gulf of Mexico, WR-508 block, Walker Ridge quadrant (operated by Shell), where we have 25% WI, underlining our renowned global capacity for ultra-deep-water exploration.

I would also like to draw your attention to the creation of the Pre-salt Executive Department, which will play a vital part in researching and organizing the exploration of this new frontier, regarded as one of the most important oil and gas discoveries of the last 30 years. One of its first tasks will be to plan and execute the long-duration test in the Tupi field at the beginning of 2009, followed by pilot production in 2010. It is worth noting an important milestone that will occur shortly, when we initiate production of the first pre-salt well in the Jubarte field in the Espírito Santo Basin.

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The scheduled investments in refineries and vertical integration of the production chain are designed to add value to our oil, generating higher revenue from domestic and international sales. Aiming to capture synergies, we are investing in modernizing and expanding our current refineries, such as Abreu Lima, in Pernambuco, and greenfield projects, such as the Premium I and II facilities, in Brazil's Northeast.

We continued to consolidate our petrochemical assets, a process we began at the end of 2007, helping us prepare for a global scenario marked by fiercer competition and the growing integration of assets.

All of these measures are, of necessity, underpinned by a deep sense of social and environmental responsibility. Income generation programs, biofuel production incentives and marine life protection initiatives are based on the conviction that the Company will play a vital role in promoting responsible development over the long term.

Our new subsidiary created specifically to manage our bio-fuels business will be fully up and running in the near future. Numerous studies have consistently demonstrated that ethanol derived from sugarcane has a series of competitive advantages versus other sources of ethanol, and that castor-oil-based biodiesel production can be an important contributor to social inclusion.

In order to achieve our objectives, investments in human resources and infrastructure are essential. With this in mind, Petrobras continues to fully support the National Oil and Gas Industry Mobilization Program (PROMINP), which will play an important role in structuring Brazil's oil and gas industry. Their initiatives lend support to and sustain the future needs of the Company, such as the recently announced commissioning of drilling ships, platforms, drilling units and other facilities. This in turn will contribute to preparing us for the future challenges we face in an increasingly dynamic and competitive scenario as we pursue our many opportunities.

PETROBRAS SYSTEM

Financial Performance

Net Income and Consolidated Economic Indicators

Petrobras posted a consolidated first-half net income of R\$ 15,708 million, 44% higher than in the 1H-2007.

| R\$ million | | | | | | | | |
|-------------|---------|---------|-----|------------|-----------------------------------|---------|---------|------|
| 2nd Quarter | | | | First Half | | | | |
| 1Q-2008 | 2008 | 2007 | Δ % | | 2008 | 2007 | Δ % | |
| 59,158 | 67,014 | 53,633 | | 25 | Gross Operating Revenues | 126,172 | 103,760 | 22 |
| 46,892 | 54,570 | 41,798 | | 31 | Net Operating Revenues | 101,462 | 80,692 | 26 |
| 11,344 | 15,502 | 11,614 | | 33 | Operating Profit ⁽¹⁾ | 26,846 | 20,181 | 33 |
| (400) | (1,802) | (1,135) | | 59 | Financial Result | (2,202) | (2,070) | 6 |
| 6,925 | 8,783 | 6,800 | | 29 | Net Income | 15,708 | 10,931 | 44 |
| 1.58 | 1.00 | 1.55 | | (35) | Net Income per Share | 1.79 | 2.49 | (28) |
| 364,372 | 457,401 | 244,659 | | 87 | Market Value (Parent Company) | 457,401 | 244,659 | 87 |
| 37 | 39 | 41 | | (2) | Gross Margin (%) | 38 | 40 | (2) |
| 24 | 28 | 28 | | - | Operating Margin (%) | 26 | 25 | 1 |
| 15 | 16 | 16 | | - | Net Margin (%) | 15 | 14 | 1 |
| 13,876 | 18,131 | 14,269 | | 27 | EBITDA R\$ million ⁽²⁾ | 32,007 | 25,247 | 27 |

Financial and Economic Indicators

| | | | | | | | | |
|------|------|------|--|------|--------------------------------------|------|------|------|
| 97 | 121 | 69 | | 77 | Brent (US\$/bbl) | 109 | 63 | 73 |
| 1.74 | 1.66 | 1.98 | | (17) | US Dollar Average Price - Sale (R\$) | 1.70 | 2.05 | (17) |
| 1.75 | 1.59 | 1.93 | | (17) | US Dollar Last Price - Sale (R\$) | 1.59 | 1.93 | (17) |

(1) Operating income before financial result, equity balance and taxes.

(2) Operating income before financial result, equity balance and depreciation/amortization.

| 2nd Quarter | | | | First Half | | | | |
|-------------|--------|--------|-----|------------|---|--------|--------|------|
| 1Q-2008 | 2008 | 2007 | Δ % | | 2008 | 2007 | Δ % | |
| 10,956 | 13,557 | 10,376 | | 31 | Operating Income as per Brazilian Corporate Law | 24,513 | 17,924 | 37 |
| 400 | 1,802 | 1,135 | | 59 | (-) Financial Result | 2,202 | 2,070 | 6 |
| (12) | 143 | 103 | | 39 | (-) Equity Income Result | 131 | 187 | (30) |
| 11,344 | 15,502 | 11,614 | | 33 | Operating Profit | 26,846 | 20,181 | 33 |
| 2,532 | 2,629 | 2,655 | | (1) | Depreciation / Amortization | 5,161 | 5,066 | 2 |
| 13,876 | 18,131 | 14,269 | | 27 | EBITDA | 32,007 | 25,247 | 27 |

30 33 34 (1) EBITDA Margin (%) 32 31 1

5

The behavior of the main components of consolidated net income, in relation to the 1H-2007, was as follows:

- A R\$ 5,980 million increase in gross profit:

| | | R\$ million | | |
|--|-------------------|--------------------------|---------------------------|---------------------|
| | | Changes | | |
| | | 1H-2008 X 1H-2007 | | |
| Main Items | | Net Revenues | Cost of Goods Sold | Gross Profit |
| . Domestic Market: | - volumes sold | 3,724 | (2,452) | 1,272 |
| | - domestic prices | 7,923 | - | 7,923 |
| . International Market: | - export volumes | (575) | 191 | (384) |
| | - export price | 5,787 | - | 5,787 |
| . Increase in expenses: (*) | | - | (10,505) | (10,505) |
| . Increase in profitability of distribution segment | | 257 | - | 257 |
| . Increase in profitability of trading operations | | 4,053 | (3,390) | 663 |
| . Increase in international sales | | 1,799 | (1,271) | 528 |
| . FX effect on controlled companies abroad | | (1,979) | 1,647 | (332) |
| . Others | | (219) | 990 | 771 |
| | | 20,770 | (14,790) | 5,980 |

| (*) Expenses Composition: | Value |
|---|--------------|
| - import of crude oil and oil products and gas ⁽¹⁾ | (6,433) |
| - domestic Government Take | (2,074) |
| - generation and purchase of energy for commercialization | (1,344) |
| - non-oil products, including alcohol, biodiesel and other | (497) |
| - transportation: maritime and pipelines ⁽²⁾ | (280) |
| - materials, services and depreciation | (100) |
| - salaries, benefits and charges | 29 |
| - third-party services | 194 |
| | (10,505) |

(1) CIF Values.

(2) Expenditures on cabotage, terminals and pipelines

- **A R\$ 685 million reduction in operating expenses, notably:**

Tax expenses (R\$ 347 million), due to the elimination of the CPMF financial transaction tax as of January/08, offset by the increase in the IOF financial operations tax rate in the same month;

Other operating expenses (R\$ 945 million), especially from the non-recurring expenses with the Petros Plan (R\$ 1,050 million) and the bonus associated with the new jobs and salaries plan (R\$ 123 million) in 2007, partially offset by contractual fines related to natural gas supply (R\$ 295 million);

Offset by the following expenses:

Selling expenses (R\$ 457 million), due to higher sales volume and freight costs (R\$ 214 million), the increase in provisions for doubtful credits (R\$ 74 million);

Exploration costs (R\$ 233 million), from the write-off of dry and uneconomically wells in Brazil (R\$ 528 million), offset by the reduction in seismic costs abroad (R\$ 294 million);

General and administrative expenses (R\$ 130 million), due to the increase in the workforce, the 2007/08 collective bargaining agreement, the new jobs and salaries plan and the 2007 advancement and promotion plan.

- **An increase in the non-operating result (R\$ 350 million), due to gains from the change in holdings provoked by the Quattor's corporate restructuring (R\$ 409 million).**
- **Increase in income tax and social contributions (R\$ 2,392 million), due, among other factors, to the tax benefits of interest on own capital accrued in 2007 (R\$ 746 million).**

Net income in the 2Q-2008 totaled R\$ 8,783 million, 27% up on the R\$ 6,925 million posted in the 1Q-2008 due to the factors listed below:

- A R\$ 3,985 million growth in gross profit:

| | | R\$ million | | |
|--|-------------------|--------------------------|---------------------------|---------------------|
| | | Changes | | |
| | | 2Q-2008 X 1Q-2008 | | |
| Main Items | | Net Revenues | Cost of Goods Sold | Gross Profit |
| . Domestic Market: | - volumes sold | 1,856 | (1,319) | 537 |
| | - domestic prices | 2,337 | - | 2,337 |
| . International Market: | - export volumes | 1,243 | (600) | 643 |
| | - export price | 1,957 | - | 1,957 |
| . Increase in expenses: (*) | | - | (1,479) | (1,479) |
| . Increase in profitability of distribution segment | | 59 | - | 59 |
| . Increase in profitability of trading operations | | 502 | (627) | (125) |
| . Increase in international sales | | 1,527 | (1,014) | 513 |
| . FX effect on controlled companies abroad | | (1,415) | 1,257 | (158) |
| . Others | | (388) | 89 | (299) |
| | | 7,678 | (3,693) | 3,985 |

| (*) Expenses Composition: | Value |
|---|--------------|
| - import of crude oil and oil products and gas ⁽¹⁾ | (1,543) |
| - domestic Government Take | (622) |
| - non-oil products, including alcohol, biodiesel and other | (303) |
| - transportation: maritime and pipelines ⁽²⁾ | 36 |
| - materials, services and depreciation | 80 |
| - salaries, benefits and charges | 101 |
| - generation and purchase of energy for commercialization | 341 |
| - third-party services | 431 |
| | (1,479) |

(1) CIF values.

(2) Expenditures on cabotage, terminals and pipelines.

A reduction in the following operating expenses:

Exploration costs (R\$ 91 million), primarily due to the reduction in geological, geophysical and seismic costs, especially abroad (R\$ 70 million).

Other operating expenses (R\$ 189 million), chiefly due to reduced costs from contractual charges and fines related to natural gas supply (R\$ 211 million).

These effects were offset by the increase in selling expenses (R\$ 131 million) due to the upturn in maritime freight charges.

A negative impact on the net financial result (R\$ 1,402 million), due to the impact of the higher appreciation of the Real in the 2Q-2008 on investments abroad, commercial activities and, in the International segment, through subsidiaries, the use of foreign funds to acquire E&P equipment for use in Brazil.

Reduced holdings in relevant investments (R\$ 155 million), chiefly due to greater FX losses on foreign subsidiaries shareholders equity.

A positive impact on the non-operating result (R\$ 425 million), primarily due to gains from the change in relevant interests in Quattor (R\$ 409 million).

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Operating Performance

Physical Indicators (*)

| 1Q-2008 | 2nd Quarter | | | | | First Half | | |
|--|--------------|--------------|-------------|----------------|---------------------------------------|--------------|--------------|-------------|
| | 2008 | 2007 | Δ % | | | 2008 | 2007 | Δ % |
| Exploration & Production - Thousand bpd | | | | | | | | |
| Domestic Production | | | | | | | | |
| 1,816 | 1,854 | 1,789 | 4 | | Oil and LNG | 1,835 | 1,795 | 2 |
| 304 | 321 | 269 | 19 | | Natural Gas ⁽¹⁾ | 312 | 271 | 15 |
| 2,120 | 2,175 | 2,058 | 6 | | Total | 2,147 | 2,066 | 4 |
| Consolidated - International Production | | | | | | | | |
| 108 | 104 | 117 | (11) | | Oil and LNG | 106 | 114 | (7) |
| 103 | 96 | 112 | (14) | | Natural Gas ⁽¹⁾ | 99 | 107 | (7) |
| 211 | 200 | 229 | (13) | | Total | 205 | 221 | (7) |
| Non Consolidated - Internacional Production | | | | | | | | |
| 14 | 14 | 16 | (13) | ⁽²⁾ | | 14 | 17 | (18) |
| 225 | 214 | 245 | (13) | | Total International Production | 219 | 238 | (8) |
| 2,345 | 2,389 | 2,303 | 4 | | Total production | 2,366 | 2,304 | 3 |

(1) Does not include liquified gas and includes re-injected gas

(2) Non consolidated companies in Venezuela.

Refining, Transport and Supply - Thousand bpd

| | | | | | | | | |
|--------------------------------------|------------------|--------------------|------------|--|---|------------------|--------------------|-------------|
| 351 | 441 | 410 | 8 | | Crude oil imports | 396 | 375 | 6 |
| 228 | 167 | 159 | 5 | | Oil products imports | 198 | 128 | 55 |
| 579 | 608 | 569 | 7 | | Import of crude oil and oil products | 594 | 503 | 18 |
| 314 | 425 | 321 | 32 | | Crude oil exports | 369 | 349 | 6 |
| 258 | 245 | 271 | (10) | | Oil products exports | 252 | 259 | (3) |
| 572 | 670 | 592 | 13 | | Export of crude oil and oil products ⁽³⁾ | 621 | 608 | 2 |
| (7) | 62 | 23 | 170 | | Net exports (imports) crude oil and oil products | 27 | 105 | (74) |
| 194 | 197 | 157 | 25 | | Import of gas and others | 195 | 151 | 29 |
| ⁽³⁾ 2 | 6 ⁽³⁾ | 3 | 100 | | Other exports | 4 ⁽³⁾ | 2 | 100 |
| 1,892 | 2,039 | 2,074 | (2) | | Output of oil products | 1,974 | 2,058 | (4) |
| 1,776 | 1,846 | 1,796 | 3 | | Brazil | 1,811 | 1,789 | 1 |
| 116 | 193 | 278 ⁽⁵⁾ | (31) | | International | 163 | 269 ⁽⁵⁾ | (39) |
| 2,167 | 2,223 | 2,227 | - | | Primary Processed Installed Capacity | 2,223 | 2,227 | - |
| 1,986 | 1,942 | 1,986 | (2) | | Brazil ⁽⁴⁾ | 1,942 | 1,986 | (2) |
| 181 | 281 | 241 ⁽⁵⁾ | 17 | | International | 281 | 241 ⁽⁵⁾ | 17 |
| Use of Installed Capacity (%) | | | | | | | | |

| | | | | | | | |
|----|----|-------------------|------|---|----|----|------|
| 89 | 95 | 89 | 6 | Brazil | 93 | 89 | 4 |
| 60 | 64 | 85 ⁽⁵⁾ | (21) | International | 59 | 85 | (26) |
| | | | | Domestic crude as % of total feedstock | | | |
| 79 | 77 | 78 | (1) | processed | 78 | 78 | - |

(3) Volumes of oil and oil products exports include ongoing exports.

(4) As per ownership recognized by the ANP.

(5) Revision due to the consolidation of Bolivia refineries data until 06/25/2007 (sales' date)

Sales Volume - Thousand bpd

| | | | | | | | |
|--------------|--------------|--------------|----|---|--------------|--------------|-----|
| 1,703 | 1,765 | 1,709 | 3 | Total Oil Products | 1,734 | 1,678 | 3 |
| 76 | 90 | 51 | 76 | Alcohol, Nitrogens, Biodiesel and other | 82 | 53 | 55 |
| 302 | 315 | 234 | 35 | Natural Gas | 309 | 230 | 34 |
| 2,081 | 2,170 | 1,994 | 9 | Total domestic market | 2,125 | 1,961 | 8 |
| 574 | 676 | 595 | 14 | Exports | 625 | 610 | 2 |
| 557 | 631 | 619 | 2 | International Sales | 594 | 637 | (7) |
| 1,131 | 1,307 | 1,214 | 8 | Total international market | 1,219 | 1,247 | (2) |
| 3,212 | 3,477 | 3,208 | 8 | Total | 3,344 | 3,208 | 4 |

Price and Cost Indicators (*)

| 2nd Quarter | | | | First Half | | | |
|--|--------|----------------------|-----|---|--------|----------------------|-----|
| 1Q-2008 | 2008 | 2007 | Δ % | | 2008 | 2007 | Δ % |
| Average Oil Products Realization Prices | | | | | | | |
| 163.07 | 178.03 | 155.44 | 15 | Domestic Market (R\$/bbl) | 170.68 | 153.27 | 11 |
| Average sales price - US\$ per bbl | | | | | | | |
| Brazil | | | | | | | |
| 86.13 | 105.46 | 57.04 | 85 | Crude Oil (US\$/bbl)⁽⁶⁾ | 95.89 | 52.42 | 83 |
| 37.16 | 39.01 | 36.16 | 8 | Natural Gas (US\$/bbl)⁽⁷⁾ | 38.12 | 34.36 | 11 |
| International | | | | | | | |
| 62.23 | 75.41 | 46.92 ⁽⁸⁾ | 61 | Crude Oil (US\$/bbl) | 69.41 | 44.67 ⁽⁸⁾ | 55 |
| 16.98 | 17.88 | 16.82 ⁽⁸⁾ | 6 | Natural Gas (US\$/bbl) | 17.41 | 15.63 ⁽⁸⁾ | 11 |

(6) Average of the exports and the internal transfer prices from E&P to Supply.

(7) Internal transfer prices from E&P to Gas & Energy.

(8) Revision of the volumes sold in Bolivia due to the new contracts of operation.

Costs - US\$/barrel

| | | | | | | | |
|---|-------|---------------------|----|---|-------|---------------------|-----|
| Lifting cost: | | | | | | | |
| Brazil | | | | | | | |
| 8.66 | 9.88 | 7.33 | 35 | without government participation | 9.28 | 7.27 | 28 |
| 24.82 | 31.08 | 17.95 | 73 | with government participation | 27.99 | 17.10 | 64 |
| 4.01 ⁽⁹⁾ | 4.37 | 4.19 | 4 | International | 4.19 | 4.05 | 3 |
| Refining cost | | | | | | | |
| Brazil | | | | | | | |
| 3.61 | 3.53 | 2.69 | 31 | Brazil | 3.57 | 2.62 | 36 |
| 6.16 | 5.58 | 2.83 ⁽⁵⁾ | 97 | International | 5.82 | 2.62 ⁽⁵⁾ | 122 |
| Corporate Overhead (US\$ million) Parent Company | | | | | | | |
| 648 | 702 | 552 | 27 | Company | 1,350 | 1,082 | 25 |

Costs - US\$/barrel

| | | | | | | | |
|----------------------|-------|-------|----|---|-------|-------|----|
| Lifting cost: | | | | | | | |
| Brazil | | | | | | | |
| 15.16 | 16.34 | 14.45 | 13 | without government participation | 15.76 | 14.83 | 6 |
| 43.20 | 51.14 | 35.03 | 46 | with government participation | 47.22 | 34.58 | 37 |
| Refining cost | | | | | | | |
| Brazil | | | | | | | |
| 6.30 | 5.84 | 5.31 | 10 | Brazil | 6.07 | 5.34 | 14 |

(9) Revision of lifting costs in Argentina.

Exploration and Production Thousand barrels/day

Increased output from P-34 (Jubarte) and FPSO-Cidade do Rio de Janeiro (Espadarte), coupled with the start-up of FPSO-PRM (Piranema), FPSO-Cidade de Vitória (Golfinho) and the P-52 and P-54 platforms (Roncador) more than offset the natural decline in the mature fields.

Increased output from the new platforms, especially the P-52 and P-54 platforms (Roncador), which started up in the 4Q-2007, more than offset the natural decline in the mature fields.

International oil production by the consolidated companies fell due to the reduction in reservoir pressure in the United States, plus lower output from the mature fields in Argentina and Angola.

Gas production decreased due to the natural decline in the U.S. wells caused by reduced reservoir pressure.

International production was jeopardized by the 25-day strike in the Cuenca Austral field in Argentina and the diminished pressure in oil and gas reservoirs in the United States.

Refining, Transportation and Supply thousand barrels/day

The year-on-year upturn in the first half was due to the lower number of scheduled stoppages in the distillation units and their increased reliability.

Domestic processed crude in the 2Q-2008 moved up 3% than in the 1Q-2008 due to the reduction in programmed stoppages.

Processed crude in the overseas refineries fell due to the sale of the Bolivian refineries in 2007 and the stoppages in the Argentinean and U.S. refineries, partially offset by output from the Japanese refinery acquired in April 2008.

Total processed throughput in the overseas refineries in the 2Q-2008 increased by 44% thanks to the return to normal operations of the Argentinean and U.S. refineries following the scheduled stoppages in the previous quarter, plus the volume added by the Japanese refinery acquired in April 2008.

Costs

Lifting Cost (US\$/barrel)

Excluding the impact of the appreciation of the Real, the lifting cost in Brazil climbed by 15% year-on-year in the 1H-2008, due to higher expenses with drilling rigs and vessels, the more robust oil industry, the higher number of programmed platform stoppages, the wage increase, the expansion of the workforce and the higher initial unit cost of the new production systems that began operations in the 4Q-2007, which will gradually come down as production moves up.

Also excluding the impact of the appreciation of the Real, the unit lifting cost in Brazil climbed by 10% quarter-over-quarter, due to preventive maintenance stoppages in the P-26 and P-33 platforms and programmed stoppages in the platforms in the Marlim and Namorado fields.

The year-on-year upturn in the first-half lifting cost was due to higher extraction costs, plus the impact of the increase in international oil prices and the higher tax on production from the new FPSO-Cidade do Rio de Janeiro, P-52 and P-54 systems.

The quarter-over-quarter increase was due to the upturn in the average Brazilian oil price used to calculate the government take, based on the international price, and the higher taxes on the Roncador Field, due to the increase in production triggered by the recently-installed platforms.

The year-on-year increase in the international lifting cost was caused by the higher price of outsourced services and the wage hike in Argentina, as well as the upturn in the price of maintenance and surveillance services in Colombia, partially offset by the reduction in transport services in the United States.

The 2Q-2008 increase over the previous three months was due to the strike in the Cuenca Austral field and the May 2008 pay rise in Argentina, plus workover activities in Colombia.

Refining Cost (US\$/barrel)

Excluding the impact of the appreciation of the Real, the domestic refining cost moved up 16% year-on-year in the first half thanks to higher electricity consumption, maintenance and repair service, due to greater complexity of the existing refineries and oil industry over heated, demanding salary adjusted and higher programmed stoppages.

Also excluding the impact of the appreciation of the Real, the domestic refining cost fell 7% over the 1Q-2008 due to reduced expenses from maintenance and programmed stoppages.

The international refining cost moved up due to higher costs in the USA caused by the programmed stoppage in the Pasadena refinery, associated with the slide in processed crude volume in 2008.

The international refining cost fell over the 1Q-2008 due to the increase in the volume of processed crude, triggered by the end of the scheduled stoppages in the USA and Argentina.

Corporate Overhead Parent Company (US\$ million)

Discounting the impact of the 17% appreciation of the Real, corporate overhead moved up 8% year-on-year in the 1H-2008 (all expenditures in this area are in Reais). The increase was due to the growth in the Company's operation and their greater complexity, leading to higher expenses from data processing, specialized technical and administrative support services, advertising, the pay rise and the upturn in the workforce.

Discounting the appreciation of the Real against the dollar, corporate overhead moved up by 4% quarter-over-quarter, chiefly due to higher expenses from technical support associated with solutions management and systemic processes and the increase in the workforce.

Sales Volume thousand barrels/day

Domestic sales volume moved up 8% over the 1H-2007, led by diesel, aviation fuel and natural gas. The diesel increase was due to the improved performance of the economy, especially agribusiness, and the increased use of emergency diesel-driven thermo-plants, while aviation fuel sales were pushed by the expansion of tourism, leveraged by economic growth and the appreciation of the Real against the dollar. Gas sales increased by 34% due to higher sales to the thermo-plants and the increased supply of imported and domestic gas (Manati field and Espírito Santo Basin).

International sales volume fell 7% due to the programmed stoppage in the Pasadena refinery and the sale of the Bolivian refineries in 2007, partially offset by output from the Japanese refinery in the 2Q-2008.

Domestic sales volume climbed by 4% in the 2Q-2008 over the previous quarter, led by higher diesel sales due to the sugarcane harvest.

Oil and oil product exports increased 17% quarter-over-quarter due to higher oil output and the December/07 anticipation of shipments originally scheduled for January/08.

International sales recorded a 13% upturn over the 1Q-2008 due to the increase in offshore operations, the consolidation of the Japanese refinery as of the 2Q-2008, the programmed stoppages in Argentina in the 1Q-2008 and the beginning of VNG sales in Colombia as of March.

| Result by Business Area R\$ million ⁽¹⁾ | | | | | | | | |
|--|---------|---------|-------|------------------------------|---------|---------|---------|--|
| 2 ^o Quarter | | | | First Half | | | | |
| 1Q-2008 | 2008 | 2007 | Δ% | | 2008 | 2007 | Δ% | |
| 9,430 | 11,557 | 6,416 | 80 | EXPLORATION & PRODUCTION | 20,987 | 11,499 | 83 | |
| (566) | (49) | 2,283 | (102) | SUPPLY | (615) | 4,409 | (114) | |
| (396) | 237 | (215) | (210) | GAS AND ENERGY | (159) | (531) | (70) | |
| 313 | 311 | 215 | 45 | DISTRIBUTION | 624 | 404 | 54 | |
| 50 | 293 | 235 | 25 | INTERNATIONAL ⁽²⁾ | 343 | (26) | (1,419) | |
| (1,443) | (2,621) | (1,797) | 46 | CORPORATE | (4,064) | (4,377) | (7) | |
| (463) | (945) | (337) | 180 | ELIMINATIONS | (1,408) | (447) | 215 | |
| 6,925 | 8,783 | 6,800 | 29 | CONSOLIDATED NET INCOME | 15,708 | 10,931 | 44 | |

⁽¹⁾ Comments on the results by business area begin on page 18 and their respective financial statements on page 27.

⁽²⁾ In the international business segment, given that all operations are executed abroad, comparisons between the periods are influenced by foreign exchange variations in dollars or in the currency of those countries in which the companies in question are headquartered. As a result, there may be substantial variations in Reais, primarily arising from and reflecting changes in the exchange rate.

RESULTS BY BUSINESS AREA

Petrobras is a company that operates in an integrated manner, with the greater part of oil and gas production in the Exploration and Production area being sold or transferred to other Company areas.

The main criteria used to report results per business area are as follows:

- a) Net operating revenues: revenues from sales to external clients, plus intra-Company sales and transfers, based on internal transfer prices established between the various areas, with assessment methodologies based on market parameters;
- b) Operating income: net operating revenues, plus the cost of goods and services sold, which are reported per business area considering the internal transfer price and other operating costs for each area, plus the operating expenses effectively incurred by each area;
- c) The financial result is completely allocated to the corporate segment;
- d) Assets: refers to the assets as identified by each area. Equity accounts of a financial nature are allocated to the corporate segment.

The improved result was due to the increase in average domestic oil prices and the 2% upturn in daily oil and NGL production.

Part of these effects were offset by the higher government take and the increase in exploration costs, the latter due to the write-off of dry and economically unviable wells.

The spread between the average domestic oil sale/transfer price and the average Brent price widened from US\$ 10.84/bbl in the 1H-2007 to US\$ 13.25/bbl in the 1H-2008, due to the fact that heavy crude moved up less than light, together with the upturn in international transport costs.

The quarter-over-quarter improvement was due to higher average domestic oil prices and the 2% increase in daily oil and NGL production, partially offset by the higher government take.

The spread between the average domestic oil sale/transfer price and the average Brent price increased from US\$ 10.77/bbl in the 1Q-2008 to US\$ 15.92/bbl in the 2Q-2008, due to the fact that heavy crude moved up less than light, together with the upturn in international transport costs.

The year-on-year reduction in the Supply result in the 1H-2008 was due to higher oil acquisition/transfer costs and the increase in oil product import costs, reflecting the behavior of international prices.

These effects were partially offset by the upturn in oil product prices in Brazil and abroad.

The quarter-over-quarter improvement was due to the following factors:

- The increase in average domestic oil product prices, led by gasoline and diesel in the domestic market;
- Higher sales volume in Brazil and abroad;
- The sale, in the 2Q-2008, of inventories acquired at a lower cost in the previous quarter;
- Gains from the change in holdings provoked by the corporate restructuring of Quattor Participações (R\$ 409 million).

These effects were partially offset by higher average oil acquisition/transfer costs and the increase in oil product import costs.

The year-on-year improvement in the first-half Gas and Energy result was due to the wider gas sales margin and the increase in electricity sales volume.

These effects were partially offset by contractual fines and charges related to natural gas supply (R\$ 295 million).

The improved G&E result was due to the increase in electricity sales margins, higher gas prices and the reduction in contractual fines and charges related to natural gas supply (R\$ 211 million).

The result was positively impacted by the 14% increase in sales volume, which helped raise the Company's share of the fuel market from 33.8%, in the 1H-2007, to 35.2% in the 1H-2008.

The healthier sales margin was due to higher sales volume and prices, although these effects were partially offset by increased operating expenses related to third-party services and freight.

The segment recorded a 34.5% share of the national fuel distribution market, versus 35.9% in the 1Q-2008.

The upturn was caused by higher oil prices plus reduced seismic acquisition costs in Turkey, Angola, the USA and Libya, offset by lower sales margins and volume in the USA and the constitution of provisions for royalty contingencies.

The quarterly improvement in the result was due to the following factors:

- Higher oil prices, higher sales volume in Ecuador and from the beginning of operations in the Japanese refinery;
- Lower exploration costs in the USA and Nigeria;
- The constitution of provisions for royalty contingencies in the 1Q-2008.

The higher result was due to the following factors:

- The R\$ 632 million reduction in expenses from the amendments to the Petros Plan regulations in 2007;
- The R\$ 224 million reduction in tax expenses due to the extinction of the CPMF financial transaction tax, partially offset by the increase in the IOF financial operations tax.

The 2Q-2008 downturn was due to the negative impact of net financial expenses, as detailed on page 9, plus the impact of the negative exchange variation on offshore investments.

Consolidated Debt

| | R\$ million | | |
|--|-------------|------------|-----|
| | 06.30.2008 | 03.31.2008 | Δ % |
| Short-term Debt ⁽¹⁾ | 8,699 | 7,639 | 14 |
| Long-term Debt ⁽¹⁾ | 33,256 | 35,674 | (7) |
| Total | 41,955 | 43,313 | (3) |
| Cash and cash equivalents | 11,046 | 11,560 | (4) |
| Net Debt ⁽²⁾ | 30,909 | 31,753 | (3) |
| Net Debt/(Net Debt + Shareholder's Equity) ⁽¹⁾ | 19% | 21% | (2) |
| Total Net Liabilities ^{(1) (3)} | 240,420 | 229,746 | 5 |
| Capital Structure (third parties net / total liabilities net) | 46% | 47% | (1) |

(1) Includes debt from leasing contracts (R\$ 1,202 million on June 30, 2008 and R\$ 1,429 million on March 31, 2008).

(2) Total debt less cash and cash equivalents.

(3) Total liabilities net of cash/financial investments.

The net debt of the Petrobras Group on June 30, 2008, was 3% less than the amount recorded on March 31, 2008, due to the appreciation of the Real.

The level of indebtedness, measured by the net debt/EBITDA ratio, fell from 0.57, on March 31, 2008, to 0.48 on June 30, 2008. The portion of the capital structure represented by third parties was 46%, 1 percentage point down on March 31, 2008.

Consolidated Investments

In compliance with the goals outlined in its strategic plan, Petrobras continues to prioritize investments in the expansion of its oil and natural gas production capacity by investing its own funds and by structuring ventures with strategic partners. On June 30, 2008, total investments amounted to R\$ 20,899 million, 6% up on the total on June 30, 2007.

| R\$ million | | | | | |
|---|---------------|------------|-------------------|------------|------------|
| | 2008 | | First Half | | Δ % |
| | 2008 | % | 2007 | % | |
| Own Investments | 17,850 | 85 | 17,030 | 86 | 5 |
| Exploration & Production | 9,733 | 46 | 9,092 | 46 | 7 |
| Supply | 3,679 | 18 | 2,856 | 13 | 29 |
| Gas and Energy | 1,094 | 5 | 730 | 4 | 50 |
| International | 2,744 | 13 | 3,486 | 18 | (21) |
| Distribution | 192 | 1 | 547 | 3 | (65) |
| Corporate | 408 | 2 | 319 | 2 | 28 |
| Special Purpose Companies (SPCs) | 2,519 | 12 | 2,596 | 13 | (3) |
| Projects under Negotiation | 530 | 3 | 169 | 1 | 214 |
| Total Investments | 20,899 | 100 | 19,795 | 100 | 6 |

| R\$ million | | | | | |
|--------------------------|--------------|------------|-------------------|------------|-------------|
| | 2008 | | First Half | | Δ % |
| | 2008 | % | 2007 | % | |
| International | | | | | |
| Exploration & Production | 2,176 | 79 | 3,129 | 90 | (30) |
| Supply | 333 | 12 | 202 | 6 | 65 |
| Gas and Energy | 133 | 5 | 65 | 1 | 105 |
| Distribution | 9 | - | 26 | 1 | (65) |
| Others | 93 | 4 | 64 | 2 | 45 |
| Total Investments | 2,744 | 100 | 3,486 | 100 | (21) |

| R\$ million | | | | | |
|-----------------------------------|-------------|----------|-------------------|----------|------------|
| | 2008 | | First Half | | Δ % |
| | 2008 | % | 2007 | % | |
| Projects Developed by SPCs | | | | | |
| Gasene | 641 | 25 | 586 | 22 | 9 |
| CDMPI | 371 | 15 | 206 | 8 | 80 |
| PDET Off Shore | 239 | 10 | 186 | 7 | 28 |
| Codajás | 523 | 21 | - | - | - |
| Mexilhão | 350 | 14 | 223 | 9 | 57 |
| Marlim Leste | 234 | 9 | 847 | 33 | (72) |
| Malhas | 161 | 6 | 342 | 13 | (53) |
| Amazônia | - | - | 206 | 8 | (100) |

| | | | | | |
|--------------------------|--------------|------------|--------------|------------|------------|
| Total Investments | 2,519 | 100 | 2,596 | 100 | (3) |
|--------------------------|--------------|------------|--------------|------------|------------|

In line with its strategic goals, Petrobras acts in consortiums with other companies as a concessionaire of oil and natural gas exploration, development and production rights. Currently the Company is a member of 103 consortiums. These ventures will require total investments of around US\$ 11,068 million by the end of the current year.

PETROBRAS

Financial Statements

Income Statement Consolidated

| R\$ million | | | | | |
|--------------|--------------|--------------|----------------------------------|---------------|---------------|
| 2nd Quarter | | | First Half | | |
| 1Q-2008 | 2008 | 2007 | | 2008 | 2007 |
| 59,158 | 67,014 | 53,633 | Gross Operating Revenues | 126,172 | 103,760 |
| (12,266) | (12,444) | (11,835) | Sales Deductions | (24,710) | (23,068) |
| 46,892 | 54,570 | 41,798 | Net Operating Revenues | 101,462 | 80,692 |
| (29,639) | (33,332) | (24,489) | Cost of Goods Sold | (62,971) | (48,181) |
| 17,253 | 21,238 | 17,309 | Gross profit | 38,491 | 32,511 |
| | | | Operating Expenses | | |
| (1,592) | (1,723) | (1,443) | Sales | (3,315) | (2,858) |
| (1,565) | (1,608) | (1,498) | General and Administratives | (3,173) | (3,043) |
| (685) | (594) | (391) | Exploratory Cost | (1,279) | (1,046) |
| (417) | (373) | (428) | Research & Development | (790) | (810) |
| (149) | (126) | (323) | Taxes | (275) | (622) |
| (356) | (356) | (452) | Pension and Health Plan | (712) | (905) |
| (1,145) | (956) | (1,160) | Other | (2,101) | 3,046 |
| (5,909) | (5,736) | (5,695) | | (11,645) | (12,330) |
| | | | Net Financial Expenses | | |
| 705 | 381 | 399 | Income | 1,086 | 1,083 |
| (814) | (836) | (768) | Expenses | (1,650) | (1,651) |
| (159) | (150) | 73 | Net Monetary Variation | (309) | (62) |
| (132) | (1,197) | (839) | Net Exchange Variation | (1,329) | (1,440) |
| (400) | (1,802) | (1,135) | | (2,202) | (2,070) |
| (6,309) | (7,538) | (6,830) | | (13,847) | (14,400) |
| 12 | (143) | (103) | Participation in Equity Income | (131) | (187) |
| 10,956 | 13,557 | 10,376 | Operating Profit | 24,513 | 17,924 |
| (12) | 413 | 24 | Non-operating Income (Expenses) | 401 | 51 |
| (3,971) | (4,557) | (3,168) | Income Tax & Social Contribution | (8,528) | (6,136) |
| (48) | (630) | (432) | Minority Interest | (678) | (908) |
| 6,925 | 8,783 | 6,800 | Net Income | 15,708 | 10,931 |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Balance Sheet Consolidated

| Assets | R\$ million | |
|--|----------------|----------------|
| | 06.30.2008 | 03.31.2008 |
| Current Assets | 60,005 | 54,731 |
| Cash and Cash Equivalents | 11,046 | 11,560 |
| Accounts Receivable | 15,601 | 12,946 |
| Inventories | 22,999 | 19,395 |
| Marketable Securities | 176 | 268 |
| Taxes Recoverable | 7,142 | 7,602 |
| Other | 3,041 | 2,960 |
| Non-current Assets | 190,259 | 185,145 |
| Long-term Assets | 22,001 | 21,827 |
| Petroleum & Alcohol Account | 801 | 799 |
| Advances to Suppliers | 366 | 421 |
| Marketable Securities | 3,616 | 3,730 |
| Deferred Taxes and Social Contribution | 9,070 | 8,747 |
| Advance for Pension Plan | 1,347 | 1,336 |
| Prepaid Expenses | 1,414 | 1,480 |
| Accounts Receivable | 2,654 | 2,529 |
| Deposits - Legal Matters | 1,722 | 1,728 |
| Other | 1,011 | 1,057 |
| Investments | 7,651 | 7,841 |
| Fixed Assets | 152,272 | 146,983 |
| Intangible | 5,751 | 5,737 |
| Deferred | 2,584 | 2,757 |
| Total Assets | 250,264 | 239,876 |

| Liabilities | R\$ million | |
|--------------------------------|---------------|---------------|
| | 06.30.2008 | 03.31.2008 |
| Current Liabilities | 44,539 | 42,338 |
| Short-term Debt | 8,301 | 7,199 |
| Suppliers | 16,664 | 14,609 |
| Taxes and Social Contribution | 11,430 | 10,207 |
| Project Finance | 238 | 147 |
| Pension and Health Plan | 879 | 880 |
| Dividends | - | 2,091 |
| Salaries, Benefits and Charges | 1,942 | 1,669 |
| Other | 5,085 | 5,536 |
| Non Current Liabilities | 67,191 | 68,729 |
| Long-term Debt | 32,452 | 34,685 |

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| | | |
|--|----------------|----------------|
| Pension Fund | 4,658 | 4,565 |
| Health Plan | 9,830 | 9,558 |
| Deferred Taxes and Social Contribution | 11,930 | 11,573 |
| Other | 8,321 | 8,348 |
| Deferred Income | 2,246 | 1,734 |
| Minority interest | 6,580 | 6,240 |
| Shareholders Equity | 129,708 | 120,835 |
| Capital Stock | 78,967 | 52,644 |
| Reserves | 35,033 | 61,266 |
| Net Income | 15,708 | 6,925 |
| Total Liabilities | 250,264 | 239,876 |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Statement of Cash Flow - Consolidated

| R\$ million | | | | | | |
|-------------|-----------------|-----------------|-----------------|---|-----------------|-----------------|
| 2nd Quarter | | | First Half | | | |
| 1Q-2008 | 2008 | 2007 | | 2008 | 2007 | |
| | 6,925 | 8,783 | 6,800 | Net Income | 15,708 | 10,931 |
| | 2,846 | 3,105 | 6,384 | (+) Adjustments | 5,951 | 9,948 |
| | 2,532 | 2,629 | 2,655 | Depreciation & Amortization | 5,161 | 5,066 |
| | 714 | (1,890) | (548) | Charges on Financing and Connected Companies | (1,176) | (1,224) |
| | 48 | 630 | 432 | Minority interest | 678 | 908 |
| | (12) | 143 | 103 | Result of Equity Income | 131 | 187 |
| | 485 | 3,243 | 2,129 | Foreign Exchange on Fixed Assets | 3,728 | 3,880 |
| | 737 | 321 | (617) | Deferred Income Tax and Social Contribution | 1,058 | (511) |
| | (1,796) | (3,085) | (1,900) | Inventory Variation | (4,881) | (1,024) |
| | 822 | 1,926 | 2,169 | Supplier Variation | 2,748 | 274 |
| | 330 | 366 | 524 | Pension and Health Plan Variation | 696 | 1,072 |
| | (1,014) | (1,178) | 1,437 | Adjustments | (2,192) | 1,320 |
| | 9,771 | 11,888 | 13,184 | (=) Cash Generated by Operating Activities | 21,659 | 20,879 |
| | (10,070) | (10,969) | (10,236) | (-) Cash used for Cap.Expend. | (21,039) | (18,389) |
| | (5,341) | (5,412) | (5,022) | Investment in E&P | (10,753) | (9,386) |
| | (2,380) | (2,255) | (2,419) | Investment in Supply | (4,635) | (3,521) |
| | (1,436) | (1,481) | (1,717) | Investment in Gas and Energy | (2,917) | (2,421) |
| | (82) | (797) | (53) | Investments in Distribution | (879) | (159) |
| | (1,197) | (1,155) | (1,316) | Investment in International Segment | (2,352) | (2,842) |
| | 514 | 206 | 364 | Marketable Securities | 720 | 164 |
| | 37 | 216 | 65 | Dividends | 253 | 150 |
| | (185) | (291) | (138) | Other investments | (476) | (374) |
| | (299) | 919 | 2,948 | (=) Free cash flow | 620 | 2,490 |
| | (1,212) | (1,433) | (5,557) | (-) Cash used in Financing Activities | (2,645) | (12,465) |
| | 2,862 | 678 | (3,958) | Financing | 3,540 | (4,993) |
| | (4,074) | (2,111) | (1,599) | Dividends | (6,185) | (7,472) |
| | (1,511) | (514) | (2,609) | (=) Cash generated in the period | (2,025) | (9,975) |
| | 13,071 | 11,560 | 20,463 | Cash at the Beginning of Period | 13,071 | 27,829 |
| | 11,560 | 11,046 | 17,854 | Cash at the End of Period | 11,046 | 17,854 |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Statement of Value Added Consolidated

| Description | R\$ million | |
|--|---------------|---------------|
| | First Half | |
| | 2008 | 2007 |
| Description | | |
| Sales of Products and Services and Non-Operating Revenues* | 127,481 | 104,917 |
| Raw Materials Used | (16,187) | (12,367) |
| Products for Resale | (27,119) | (16,933) |
| Materials, Energy, Services & Other | (9,418) | (12,568) |
| Added Value Generated | 74,757 | 63,049 |
| Depreciation & Amortization | (5,161) | (5,066) |
| Participation in Equity Income, Goodwill & Negative Goodwill | (131) | (187) |
| Financial Result | 1,086 | 1,147 |
| Rent and Royalties | 300 | 251 |
| Total Distributable Added Value | 70,851 | 59,194 |
| Distribution of Added Value | | |
| Personnel | | |
| Salaries, Benefits and Charges | 5,501 | 6,365 |
| | 5,501 | 6,365 |
| Government Entities | | |
| Taxes, Fees and Contributions | 30,265 | 27,088 |
| Government Take | 11,350 | 7,107 |
| | 41,615 | 34,195 |
| Financial Institutions and Suppliers | | |
| Interest, FX Rate and Monetary Changes | 3,288 | 3,154 |
| Rent and Freight Expenses | 4,061 | 3,640 |
| | 7,349 | 6,794 |
| Shareholders | | |
| Minority Interest | 678 | 908 |
| Dividends/Interest on Own Capital | - | 2,194 |
| Retained Earnings | 15,708 | 8,738 |
| | 16,386 | 11,840 |
| Distributed Added Value | 70,851 | 59,194 |

* Net of Provisions for Doubtful Debts.

Consolidated Result by Business Area - 1H-2008

R\$ MILLION

| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
|--|----------------|----------------|--------------------|----------------|----------------|----------------|-----------------|-----------------|
| Net Operating Revenues | 54,807 | 82,212 | 7,190 | 25,972 | 9,665 | - | (78,384) | 101,462 |
| Intersegments | 54,030 | 22,039 | 912 | 441 | 962 | - | (78,384) | - |
| Third Parties | 777 | 60,173 | 6,278 | 25,531 | 8,703 | - | - | 101,462 |
| Cost of Goods Sold | (20,529) | (81,080) | (6,093) | (23,717) | (7,675) | - | 76,123 | (62,971) |
| Gross Profit | 34,278 | 1,132 | 1,097 | 2,255 | 1,990 | - | (2,261) | 38,491 |
| Operating Expenses | (2,058) | (2,612) | (1,147) | (1,309) | (1,197) | (3,450) | 128 | (11,645) |
| Sales, General & Administrative | (325) | (2,235) | (487) | (1,302) | (733) | (1,531) | 125 | (6,488) |
| Taxes | (34) | (41) | (15) | (14) | (66) | (105) | - | (275) |
| Exploratory Costs | (1,059) | - | - | - | (220) | - | - | (1,279) |
| Research & Development | (390) | (151) | (53) | (7) | (2) | (187) | - | (790) |
| Health and Pension Plans | - | - | - | - | - | (712) | - | (712) |
| Other | (250) | (185) | (592) | 14 | (176) | (915) | 3 | (2,101) |
| Operating Profit (Loss) | 32,220 | (1,480) | (50) | 946 | 793 | (3,450) | (2,133) | 26,846 |
| Interest Income (Expenses) | - | - | - | - | - | (2,202) | - | (2,202) |
| Equity Income | - | 52 | (16) | 8 | 56 | (231) | - | (131) |
| Non-operating Income (Expenses) | 10 | 389 | 14 | (12) | (6) | 6 | - | 401 |
| Income (Loss) Before Taxes and Minority Interests | 32,230 | (1,039) | (52) | 942 | 843 | (5,877) | (2,133) | 24,914 |
| Income Tax & Social Contribution | (10,958) | 371 | 12 | (318) | (339) | 1,979 | 725 | (8,528) |
| Minority Interests | (285) | 53 | (119) | - | (161) | (166) | - | (678) |
| Net Income (Loss) | 20,987 | (615) | (159) | 624 | 343 | (4,064) | (1,408) | 15,708 |

Consolidated Result by Business Area - 1H-2007

R\$ MILLION

| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
|--|----------------|----------------|--------------------|----------------|----------------|----------------|-----------------|-----------------|
| Net Operating Revenues | 36,087 | 62,903 | 4,358 | 21,081 | 9,517 | - | (53,254) | 80,692 |
| Intersegments | 33,655 | 16,884 | 1,114 | 384 | 1,217 | - | (53,254) | - |
| Third Parties | 2,432 | 46,019 | 3,244 | 20,697 | 8,300 | - | - | 80,692 |
| Cost of Goods Sold | (16,111) | (53,768) | (3,967) | (19,083) | (7,750) | - | 52,498 | (48,181) |
| Gross Profit | 19,976 | 9,135 | 391 | 1,998 | 1,767 | - | (756) | 32,511 |
| Operating Expenses | (1,896) | (2,516) | (879) | (1,369) | (1,421) | (4,327) | 78 | (12,330) |
| Sales, General & Administrative | (351) | (1,905) | (456) | (1,161) | (731) | (1,376) | 79 | (5,901) |
| Taxes | (15) | (73) | (46) | (91) | (68) | (329) | - | (622) |
| Exploratory Costs | (451) | - | - | - | (595) | - | - | (1,046) |
| Research & Development | (406) | (149) | (85) | (6) | (2) | (162) | - | (810) |
| Health and Pension Plan | - | - | - | - | - | (905) | - | (905) |
| Others | (673) | (389) | (292) | (111) | (25) | (1,555) | (1) | (3,046) |
| Operating Profit (Loss) | 18,080 | 6,619 | (488) | 629 | 346 | (4,327) | (678) | 20,181 |
| Interest Income (Expenses) | - | - | - | - | - | (2,070) | - | (2,070) |
| Equity Income | - | 81 | 23 | (8) | 43 | (326) | - | (187) |
| Non-operating Income (Expense) | (25) | (5) | 3 | (5) | 89 | (6) | - | 51 |
| Income (Loss) Before Taxes and Minority Interests | 18,055 | 6,695 | (462) | 616 | 478 | (6,729) | (678) | 17,975 |
| Income Tax & Social Contribution | (6,139) | (2,249) | 165 | (212) | (248) | 2,316 | 231 | (6,136) |
| Minority Interests | (417) | (37) | (234) | - | (256) | 36 | - | (908) |
| Net Income (Loss) | 11,499 | 4,409 | (531) | 404 | (26) | (4,377) | (447) | 10,931 |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

EBITDA(1) Consolidated Statement by Business Area - 1H-2008

| R\$ MILLION | | | | | | | | |
|--|---------------|----------------|--------------------|--------------|--------------|----------------|----------------|---------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| Operating Profit (Loss) | 32,220 | (1,480) | (50) | 946 | 793 | (3,450) | (2,133) | 26,846 |
| Depreciation & Amortization | 2,866 | 1,057 | 406 | 181 | 570 | 81 | - | 5,161 |
| EBITDA (1) | 35,086 | (423) | (356) | 1,127 | 1,363 | (3,369) | (2,133) | 32,007 |

(1) Operating income before the financial results and equity income excluding depreciation /amortization.

Statement of Other Operating Income (Expenses) - 1H-2008

| R\$ MILLION | | | | | | | | |
|---|--------------|--------------|--------------------|-------------|--------------|--------------|----------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| Institutional relations and cultural projects | (37) | (30) | (3) | (25) | - | (459) | - | (554) |
| Fines and Contractual Charges | - | - | (295) | - | - | - | - | (295) |
| Losses and Contingencies related to Legal Proceedings | (13) | (26) | (1) | (8) | (129) | (113) | - | (290) |
| Operating expenses with thermoelectric | - | - | (266) | - | - | - | - | (266) |
| HSE Expenses | (9) | (39) | (2) | - | - | (124) | - | (174) |
| Installations and production equipment | (30) | (41) | - | - | - | - | - | (71) |
| Contractual losses from ship-or-pay transport services | - | - | - | - | (41) | - | - | (41) |
| Other | (161) | (49) | (25) | 47 | (6) | (219) | 3 | (410) |
| | (250) | (185) | (592) | 14 | (176) | (915) | 3 | (2,101) |

Statement of Other Operating Revenues (Expenses) - 1H-2007

| | R\$ MILLION | | | | | | | |
|--|--------------|--------------|--------------------|--------------|-------------|----------------|------------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| Institutional relations and cultural projects | (36) | (28) | - | (21) | - | (462) | - | (547) |
| Losses and Contingencies related to Legal Proceedings | (136) | (34) | - | (49) | (2) | (2) | - | (223) |
| Operating expenses with thermoelectric HSE Expenses | - | - | (245) | - | - | - | - | (245) |
| | (9) | (49) | (2) | - | - | (139) | - | (199) |
| Installations and production equipment | (19) | (72) | - | - | - | - | - | (91) |
| Contractual losses from ship-or-pay transport services | - | - | - | - | (44) | - | - | (44) |
| Career Evaluation Expenses with Renegotiation of Petros Fund Plan | (48) | (23) | (4) | - | (3) | (45) | - | (123) |
| Other | (220) | (129) | (11) | (40) | (8) | (642) | - | (1,050) |
| | (205) | (54) | (30) | (1) | 32 | (265) | (1) | (524) |
| | (673) | (389) | (292) | (111) | (25) | (1,555) | (1) | (3,046) |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Consolidated Assets by Business Area - 06.30.2008

| R\$ MILLION | | | | | | | | |
|--------------------------------|---------------|---------------|--------------------|---------------|---------------|---------------|-----------------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| ASSETS | 97,300 | 64,343 | 31,824 | 10,181 | 23,892 | 34,130 | (11,406) | 250,264 |
| CURRENT ASSETS | 6,675 | 30,211 | 5,603 | 5,441 | 5,579 | 17,707 | (11,211) | 60,005 |
| CASH AND CASH EQUIVALENTS | - | - | - | - | - | 11,046 | - | 11,046 |
| OTHER | 6,675 | 30,211 | 5,603 | 5,441 | 5,579 | 6,661 | (11,211) | 48,959 |
| NON-CURRENT ASSETS | 90,625 | 34,132 | 26,221 | 4,740 | 18,313 | 16,423 | (195) | 190,259 |
| LONG-TERM ASSETS | 3,912 | 1,276 | 2,119 | 536 | 993 | 13,339 | (174) | 22,001 |
| PROPERTY, PLANTS AND EQUIPMENT | 83,293 | 28,536 | 22,963 | 2,802 | 12,906 | 1,793 | (21) | 152,272 |
| OTHER | 3,420 | 4,320 | 1,139 | 1,402 | 4,414 | 1,291 | - | 15,986 |

Consolidated Assets by Business Area - 03.31.2008

| R\$ MILLION | | | | | | | | |
|---------------------------|---------------|---------------|--------------------|--------------|---------------|---------------|-----------------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| ASSETS | 94,007 | 58,813 | 30,388 | 9,970 | 23,010 | 34,202 | (10,514) | 239,876 |
| CURRENT ASSETS | 5,698 | 26,364 | 5,409 | 5,223 | 4,198 | 17,963 | (10,124) | 54,731 |
| CASH AND CASH EQUIVALENTS | - | - | - | - | - | 11,560 | - | 11,560 |
| OTHER | 5,698 | 26,364 | 5,409 | 5,223 | 4,198 | 6,403 | (10,124) | 43,171 |
| NON-CURRENT ASSETS | 88,309 | 32,449 | 24,979 | 4,747 | 18,812 | 16,239 | (390) | 185,145 |
| LONG-TERM ASSETS | 4,173 | 1,138 | 2,154 | 506 | 1,027 | 13,197 | (368) | 21,827 |
| | 80,627 | 26,973 | 21,755 | 2,801 | 13,116 | 1,733 | (22) | 146,983 |

| | | | | | | | | |
|--------------------------------------|-------|-------|-------|-------|-------|-------|---|---------------|
| PROPERTY, PLANTS AND EQUIPMENT | | | | | | | | |
| OTHER | 3,509 | 4,338 | 1,070 | 1,440 | 4,669 | 1,309 | - | 16,335 |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Consolidated Results International Business Area - 1H-2008**R\$ MILLION
INTERNATIONAL**

| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | CORPOR. | ELIMIN. | TOTAL |
|--------------------------------|----------------|---------------|---------------------------------|-----------------|----------------|----------------|---------------|
| ASSETS (06.30.2008) | 15,544 | 6,279 | 2,357 | 781 | 2,591 | (3,660) | 23,892 |
| Income Statement | | | | | | | |
| Net Operating Revenues | 2,402 | 6,023 | 885 | 2,128 | 3 | (1,776) | 9,665 |
| Intersegments | 1,250 | 1,225 | 211 | 52 | - | (1,776) | 962 |
| Third Parties | 1,152 | 4,798 | 674 | 2,076 | 3 | - | 8,703 |
| Operating Profit (Loss) | 771 | 47 | 170 | 91 | (291) | 5 | 793 |
| Net Income (Loss) | 399 | 35 | 91 | 66 | (253) | 5 | 343 |

Consolidated Results International Business Area**R\$ MILLION
INTERNATIONAL**

| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | CORPOR. | ELIMIN. | TOTAL |
|---|----------------|---------------|---------------------------------|-----------------|----------------|----------------|---------------|
| ASSETS - (03.31.2008) | 15,949 | 4,835 | 2,430 | 713 | 3,050 | (3,967) | 23,010 |
| Income Statement - (1H-2007) | | | | | | | |
| Net Operating Revenues | 2,402 | 6,233 | 1,127 | 1,780 | 25 | (2,050) | 9,517 |
| Intersegments | 1,664 | 1,389 | 201 | 13 | - | (2,050) | 1,217 |
| Third Parties | 738 | 4,844 | 926 | 1,767 | 25 | - | 8,300 |
| Operating Profit (Loss) | 135 | 206 | 305 | (29) | (282) | 11 | 346 |
| Net Income (Loss) | (95) | 161 | 211 | (23) | (291) | 11 | (26) |

PETROBRAS SYSTEM

Appendices

1. Petroleum and Alcohol Accounts National Treasury

In order to settle the accounts with the federal government, in accordance with Provisional Measure No. 2181 of August 24, 2001, Petrobras, after having submitted all the information required by the National Treasury (STN), is seeking to reconcile the remaining differences between the parties.

The account balance of R\$ 801 millions on June 30, 2008 (R\$ 799 millions on March 31, 2008) may be paid by the federal government through the issuance of National Treasury bonds, in an amount equal to the final settlement amount or with other amounts that Petrobras may owe to the federal government, including those related to taxes, or through a combination of these options.

2. Consolidated Taxes and Contributions

The economic contribution of Petrobras to Brazil, measured through the generation of current taxes, duties and social contributions, totaled R\$ 28,376 million.

| | | R\$ million | | | | | | |
|---------|---------------|---------------|---------------|--|---|---------------|---------------|------|
| | | 2nd Quarter | | | First Half | | | |
| 1Q-2008 | 2008 | 2007 | Δ % | | 2008 | 2007 | Δ % | |
| | | | | Economic Contribution - Country | | | | |
| | 4,550 | 4,883 | 4,484 | 9 | Value Added Tax (ICMS) | 9,433 | 8,616 | 9 |
| | 1,944 | 1,422 | 1,973 | (28) | CIDE ⁽¹⁾ | 3,366 | 3,826 | (12) |
| | 3,046 | 3,214 | 2,974 | 8 | PASEP/COFINS | 6,260 | 5,723 | 9 |
| | 3,888 | 4,265 | 3,005 | 42 | Income Tax & Social Contribution | 8,153 | 5,897 | 38 |
| | 577 | 587 | 658 | (11) | Other | 1,164 | 1,314 | (11) |
| | 14,005 | 14,371 | 13,094 | 10 | Subtotal Country | 28,376 | 25,376 | 12 |
| | 852 | 1,037 | 824 | 26 | Economic Contribution - Foreign | 1,889 | 1,712 | 10 |
| | 14,857 | 15,408 | 13,918 | 11 | Total | 30,265 | 27,088 | 12 |

⁽¹⁾ CIDE ECONOMIC DOMAIN CONTRIBUTION CHARGE

3. Government Take

| R\$ million | | | | | | | |
|--------------|--------------|--------------|-----------|-------------------------|---------------|--------------|-----------|
| 2nd Quarter | | | | First Half | | | |
| 1Q-2008 | 2008 | 2007 | Δ % | | 2008 | 2007 | Δ % |
| | | | | Country | | | |
| 2,397 | 2,847 | 1,778 | 60 | Royalties | 5,244 | 3,405 | 54 |
| 2,430 | 3,313 | 1,647 | 101 | Special Participation | 5,743 | 3,156 | 82 |
| 30 | 26 | 28 | (7) | Surface Rental Fees | 56 | 61 | (8) |
| 4,857 | 6,186 | 3,453 | 79 | Subtotal Country | 11,043 | 6,622 | 67 |
| 146 | 161 | 186 | (13) | Foreign | 307 | 485 | (37) |
| 5,003 | 6,347 | 3,639 | 74 | Total | 11,350 | 7,107 | 60 |

The Brazilian government take increased by 67% year-on-year in the 1H-2008, due to the 44% upturn in the reference price for local oil (R\$ 148.88 in the 1H-2008 versus R\$ 103.16 in the 1H-2007), reflecting the average Brent price on the international market, and the increase in output, due to the operational start-up of the FPSO-Cidade do RJ (Espadarte), P-52 (Roncador) and P-54 (Roncador) platforms.

In the 2Q-2008, the Brazilian government take moved up 27% over the previous quarter, due to the 9% upturn in the reference price for local oil (R\$ 155.28 in the 2Q-2008, versus R\$ 142.47 in the 1Q-2008), reflecting the average Brent price on the international market, plus increased output from the recently installed platforms in the Roncador field.

4. Reconciliation of Consolidated Shareholders' Equity and Net Income

| | R\$ million | |
|--|----------------------|--------|
| | Shareholders' Equity | Result |
| . According to PETROBRAS information as of 06.30.2008 | 131,110 | 15,117 |
| . Profit in the sales of products in affiliated inventories | (491) | (491) |
| . Reversal of profits on inventory in previous years | - | 669 |
| . Capitalized interest | (803) | 7 |
| . Absorption of negative net worth in affiliated companies * | 135 | 222 |
| . Other eliminations | (243) | 184 |
| . According to consolidated information as of 06.30.2008 | 129,708 | 15,708 |

* Pursuant to CVM Instruction 247/96, losses considered temporary on investments evaluated by the equity method, where the investee shows no signs of stoppage or the need for financial support from the investor, must be limited to the amount of the controlling company's investment. Thus losses generated by unfunded liabilities (negative shareholders' equity) of the controlled companies did not affect the results or shareholders' equity of Petrobras on December 31, 2007, generating a conciliatory item between the Financial Statements of Petrobras and the

Consolidated Financial Statements.

5. Performance of Petrobras Shares and ADRs

| Nominal Change | | | | | |
|----------------|--------|--------|----------------------------|---------|--------|
| 2nd Quarter | | | First Half | | |
| 1Q-2008 | 2008 | 2007 | | 2008 | 2007 |
| -14.60% | 25.91% | 13.61% | Petrobras ON | 7.52% | 7.87% |
| -16.30% | 24.91% | 11.92% | Petrobras PN | 4.55% | 3.69% |
| -11.39% | 38.73% | 21.87% | ADR- Level III - ON | 22.93% | 17.75% |
| -11.98% | 36.85% | 19.40% | ADR- Level III - PN | 20.45% | 15.01% |
| -4.57% | 6.64% | 18.75% | IBOVESPA | 1.77% | 22.30% |
| -7.55% | -7.44% | 8.53% | DOW JONES | -14.44% | 7.59% |
| -14.07% | 0.61% | 7.50% | NASDAQ | -13.55% | 7.78% |

Petrobras shares had a book value of R\$ 14.94 on June 30, 2008.

6. Foreign Exchange Exposure

| | R\$ million | |
|---|-----------------|-----------------|
| | 06.30.2008 | 03.31.2008 |
| Assets | | |
| Current Assets | 6,692 | 8,334 |
| Cash and Cash Equivalents | 2,312 | 4,049 |
| Other Current Assets | 4,380 | 4,285 |
| Non-current Assets | 20,228 | 18,626 |
| Amounts invested abroad via partner companies, in the international segment, in E&P equipments to be used in Brazil and in commercial activities. | 19,271 | 17,618 |
| Long-term Assets | 488 | 554 |
| Property, plant and equipment | 469 | 454 |
| Total Assets | 26,920 | 26,960 |
| Liabilities | | |
| Current Liabilities | (6,332) | (4,859) |
| Short-term Debt | (2,476) | (2,435) |
| Suppliers | (3,252) | (1,792) |
| Other Current Liabilities | (604) | (632) |
| Long-term Liabilities | (12,601) | (14,124) |
| Long-term Debt | (11,645) | (13,024) |
| Other Long-term Liabilities | (956) | (1,100) |
| Total Liabilities | (18,933) | (18,983) |
| Net Assets (Liabilities) in Reais | 7,987 | 7,977 |
| (+) Investment Funds - Exchange | 14 | 20 |
| (-) FINAME Loans - dollar-indexed reais | (272) | (355) |
| Net Assets (Liabilities) in Reais | 7,729 | 7,642 |

* The results of investments in Exchange Funds are booked under Financial Revenue.

PETROBRAS

Financial Statements

Income Statement Parent Company

| R\$ million | | | | | |
|--------------|--------------|--------------|----------------------------------|---------------|---------------|
| 2nd Quarter | | | First Half | | |
| 1Q-2008 | 2008 | 2007 | | 2008 | 2007 |
| 44,861 | 52,961 | 41,691 | Gross Operating Revenues | 97,822 | 79,677 |
| (11,053) | (11,374) | (10,866) | Sales Deductions | (22,427) | (20,984) |
| 33,808 | 41,587 | 30,825 | Net Operating Revenues | 75,395 | 58,693 |
| (19,655) | (23,704) | (16,180) | Cost of Products Sold | (43,359) | (31,461) |
| 14,153 | 17,883 | 14,645 | Gross Profit | 32,036 | 27,232 |
| | | | Operating Expenses | | |
| (1,486) | (1,480) | (1,237) | Sales | (2,966) | (2,494) |
| (1,092) | (1,110) | (1,025) | General & Administrative | (2,202) | (2,064) |
| (538) | (521) | (236) | Exploratory Cost | (1,059) | (451) |
| (413) | (370) | (425) | Research & Development | (783) | (805) |
| (90) | (58) | (185) | Taxes | (148) | (340) |
| (336) | (337) | (424) | Health and Pension Plans | (673) | (848) |
| (1,071) | (1,098) | (1,162) | Other | (2,204) | (2,964) |
| (5,026) | (4,974) | (4,694) | | (10,035) | (9,966) |
| | | | Net Financial | | |
| 1,326 | 1,541 | 967 | Income | 2,902 | 1,953 |
| (934) | (1,445) | (735) | Expenses | (2,379) | (1,323) |
| (96) | (152) | 50 | Net Monetary Variation | (248) | (69) |
| (186) | (2,262) | (1,267) | Net Exchange Variation | (2,448) | (2,121) |
| 110 | (2,318) | (985) | | (2,173) | (1,560) |
| (4,916) | (7,292) | (5,679) | | (12,208) | (11,526) |
| 798 | 1,126 | 507 | Participation in Equity Income | 1,924 | 559 |
| 10,035 | 11,717 | 9,473 | Operating Income | 21,752 | 16,265 |
| 1 | 337 | (33) | Non-operating Income (Expense) | 338 | (34) |
| (3,285) | (3,688) | (2,588) | Income Tax / Social Contribution | (6,973) | (5,043) |
| 6,751 | 8,366 | 6,852 | Net Income | 15,117 | 11,188 |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Balance Sheet Parent Company

| | Assets | |
|--|--------------------|-------------------|
| | R\$ million | |
| | 06.30.2008 | 03.31.2008 |
| Current Assets | 59,434 | 50,464 |
| Cash and Cash Equivalents | 17,358 | 15,088 |
| Accounts Receivable | 17,197 | 12,618 |
| Inventories | 17,665 | 15,354 |
| Dividends Receivable | 542 | 478 |
| Deferred Taxes & Social Contribution | 4,596 | 5,048 |
| Other | 2,076 | 1,878 |
| Non-current Assets | 189,837 | 180,935 |
| Long-term Assets | 70,422 | 67,472 |
| Petroleum & Alcohol Account | 801 | 799 |
| Subsidiaries and affiliated companies | 52,767 | 50,230 |
| Structured Projects | 2,077 | 1,824 |
| Advances to Suppliers | 322 | 377 |
| Marketable Securities | 3,336 | 3,419 |
| Advance for Pension Plan | 1,347 | 1,336 |
| Deferred Taxes and Social Contribution | 6,520 | 6,116 |
| Judicial Deposits | 1,458 | 1,466 |
| Anticipated Expenses | 683 | 723 |
| Other | 1,111 | 1,182 |
| Investments | 28,659 | 27,940 |
| Property, plant and equipment | 86,886 | 81,690 |
| Intangible | 3,156 | 3,079 |
| Deferred | 714 | 754 |
| Total Assets | 249,271 | 231,399 |
| | Liabilities | |
| | R\$ million | |
| | 06.30.2008 | 03.31.2008 |
| Current Liabilities | 80,938 | 71,668 |
| Short-term Debt | 2,845 | 757 |
| Suppliers | 47,865 | 43,073 |
| Taxes & Social Contribution Payable | 9,756 | 8,561 |
| Dividends / Interest on Own Capital | - | 2,091 |
| Structured Projects | 522 | 472 |
| Health and Pension Plan | 816 | 816 |
| Clients Anticipation | 199 | 163 |

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| | | |
|---------------------------------------|----------------|----------------|
| Receivable Cash Flow | 14,699 | 11,134 |
| Other | 4,236 | 4,601 |
| Long-term Liabilities | 36,773 | 36,710 |
| Long-term Debt | 5,920 | 6,024 |
| Subsidiaries and affiliated companies | 1,372 | 1,676 |
| Pension plan | 4,227 | 4,169 |
| Health Care Benefits | 9,074 | 8,819 |
| Deferred Taxes & Social Contribution | 9,652 | 9,464 |
| Provision for abandonment | 5,972 | 5,919 |
| Other | 556 | 639 |
| Deferred Income | 451 | 258 |
| Shareholders' Equity | 131,109 | 122,763 |
| Capital | 78,967 | 52,644 |
| Capital Reserves | 37,025 | 63,368 |
| Net Income | 15,117 | 6,751 |
| Total liabilities | 249,271 | 231,399 |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Statement of Cash Flow Parent Company

| R\$ million | | | | | |
|-------------|----------------|----------------|----------------|-----------------|-----------------|
| 2nd Quarter | | | First Half | | |
| 1Q-2008 | 2008 | 2007 | | 2008 | 2007 |
| | 6,751 | 8,366 | 6,852 | 15,117 | 11,188 |
| | 5,367 | 4,470 | 7,672 | 9,837 | 11,056 |
| | 1,541 | 1,609 | 1,482 | 3,150 | 2,742 |
| | (2) | (1) | (4) | (3) | (7) |
| | 6,159 | 4,273 | 4,458 | 10,432 | 4,617 |
| | (179) | 3,986 | 650 | 3,807 | 1,434 |
| | (2,152) | (5,397) | 1,086 | (7,549) | 2,270 |
| | 12,118 | 12,836 | 14,524 | 24,954 | 22,244 |
| | (7,262) | (6,971) | (5,689) | (14,233) | (10,323) |
| | (3,929) | (4,179) | (3,472) | (8,108) | (6,584) |
| | (2,285) | (1,490) | (2,037) | (3,775) | (3,051) |
| | (703) | (694) | (532) | (1,397) | (830) |
| | (13) | (3) | (8) | (16) | (8) |
| | - | (706) | - | (706) | - |
| | (355) | (250) | (135) | (605) | (229) |
| | 208 | 452 | 717 | 660 | 753 |
| | - | 105 | - | 105 | - |
| | (185) | (206) | (222) | (391) | (374) |
| | 4,856 | 5,865 | 8,835 | 10,721 | 11,921 |
| | 2,384 | (3,595) | (10,587) | (1,211) | (20,633) |
| | 7,240 | 2,270 | (1,752) | 9,510 | (8,712) |
| | 7,848 | 15,088 | 13,139 | 7,848 | 20,099 |
| | 15,088 | 17,358 | 11,387 | 17,358 | 11,387 |

Certain figures relating to previous periods have been reclassified to bring them into line with the current financial statements, thereby facilitating comparisons.

Statement of Value Added - Parent Company

| Description | R\$ million | |
|---|--------------------|---------------|
| | First Half | |
| | 2008 | 2007 |
| Description | | |
| Sale of products and services and non operating income* | 98,355 | 80,322 |
| Raw Materials Used | (10,487) | (6,547) |
| Products for Resale | (11,678) | (4,870) |
| Materials, Energy, Services & Others | (7,179) | (10,703) |
| Added Value Generated | 69,011 | 58,202 |
| Depreciation & Amortization | (3,150) | (2,742) |
| Participation in subsidiaries, goodwill & discount amortization | 2,265 | 559 |
| Financial Income | 2,230 | 1,132 |
| Rent and royalties | 238 | 196 |
| Total Distributable Added Value | 70,594 | 57,347 |
| Distribution of Added Value | | |
| Personnel | | |
| Salaries, Benefits and Charges | 4,144 | 5,166 |
| | 4,144 | 5,166 |
| Government Entities | | |
| Taxes, Fees and Contributions | 30,439 | 27,195 |
| Government Participation | 11,043 | 6,622 |
| | 41,482 | 33,817 |
| Financial Institutions and Suppliers | | |
| Interest, FX Rate and Monetary Variations | 4,402 | 2,628 |
| Rent and Freight Expenses | 5,449 | 4,549 |
| | 9,851 | 7,177 |
| Shareholders | | |
| Dividends / interest on own capital | - | 2,193 |
| Net Income | 15,117 | 8,994 |
| | 15,117 | 11,187 |
| Value Added distributed | 70,594 | 57,347 |

* Net of Provisions for Doubtful Debts.

PETROBRAS

<http://www.petrobras.com.br/ri/english>

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This document may contain forecasts that merely reflect the expectations of the Company's management. Such terms as anticipate, believe, expect, forecast, intend, plan, project, seek, should, along with similar or analogous terms are used to identify such forecasts. These predictions evidently involve risks and uncertainties, whether foreseen or not by the Company. Therefore, the future results of operations may differ from current expectations, and readers should not base their expectations exclusively on the information presented herein.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 12, 2008

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By: /s/ Almir Guilherme Barbassa

Almir Guilherme Barbassa
Chief Financial Officer and
Investor Relations Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.
